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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
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EXAMINER

NGUYEN, NGA B

ART UNIT	PAPER NUMBER
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3692

DATE MAILED: 11/21/2006

Please find below and/or attached an Office communication concerning this application or proceeding.

Office Action Summary

Application No.

09/501,154

Applicant(s)

SANKARAN ET AL.

Examiner

Nga B. Nguyen

Art Unit

3628

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --
Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

- 1) ☒ Responsive to communication(s) filed on 26 June 2006.
- 2a) ☒ This action is **FINAL**. 2b) ☐ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

- 4) ☒ Claim(s) 1 and 3-30 is/are pending in the application.
- 4a) Of the above claim(s) _____ is/are withdrawn from consideration.
- 5) ☐ Claim(s) _____ is/are allowed.
- 6) ☒ Claim(s) 1 and 3-30 is/are rejected.
- 7) ☐ Claim(s) _____ is/are objected to.
- 8) ☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on _____ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.
Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).
Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

Priority under 35 U.S.C. § 119

- 12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All b) ☐ Some * c) ☐ None of:
1. ☐ Certified copies of the priority documents have been received.
 2. ☐ Certified copies of the priority documents have been received in Application No. _____.
 3. ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).
- * See the attached detailed Office action for a list of the certified copies not received.

Attachment(s)

- | | |
|--|---|
| 1) <input type="checkbox"/> Notice of References Cited (PTO-892) | 4) <input type="checkbox"/> Interview Summary (PTO-413)
Paper No(s)/Mail Date. _____ |
| 2) <input type="checkbox"/> Notice of Draftsperson's Patent Drawing Review (PTO-948) | 5) <input type="checkbox"/> Notice of Informal Patent Application |
| 3) <input type="checkbox"/> Information Disclosure Statement(s) (PTO/SB/08)
Paper No(s)/Mail Date _____ | 6) <input type="checkbox"/> Other: _____ |

DETAILED ACTION

1. This Office Action is the answer to the Amendment filed on June 26, 2006, which paper has been placed of record in the file.
2. Claims 1 and 3-30 are pending in this application.

Response to Arguments/Amendment

3. Applicant's arguments with respect to claims 1 and 3-30 have been considered but are not persuasive.

In response to the applicant's arguments that the combination of Holdcroft and Levine would not result in a system as in the claimed invention, there is no methodology in Levine or Holdcroft to modify the investment classes of multi-class instruments, the examiner submits that the test for obviousness is not whether the features of a secondary reference may be bodily incorporated into the structure of the primary reference; nor is it that the claimed invention must be expressly suggested in any one or all of the references. Rather, the test is what the combined teachings of the references would have suggested to those of ordinary skill in the art. See *In re Keller*, 642 F.2d 413, 208 USPQ 871 (CCPA 1981). In this case, Levin discloses a system for offering a financial instrument, comprising: a central processing unit, a program memory and a structure database stored a structure representative of a plurality of financial instruments (see figures 2A and 2B and column 13, lines 20-21). Levine's system also allows to do mortgage-backed securities (see column 4, lines 1-10), thus the Levine's system is capable of modify and update the database. Therefore, Levine provides the methodology (the system) to accomplish the method. Holdcroft discloses modify the

structure database in response to the bid information and display updated financial information (see the entire document, the CMO structuring process include: reviewing the most recent deals, modeling the transaction precisely, obtaining pricing information, revising prepayment assumptions, modifying the structure class by class, negotiating, and setting the terms). Holdcroft discloses modify the structure database in response to the bid information and display updated financial information (see the entire document, the CMO structuring process include: reviewing the most recent deals, modeling the transaction precisely, obtaining pricing information, revising prepayment assumptions, modifying the structure class by class, negotiating, and setting the terms). Because Levine provides the methodology to accomplish the method and Levine's system is capable of modify and update the database, combining Levine and Holdcroft also provides the methodology to accomplish the method of modifying the structure database in response to the bid information and display updated financial information.

In response to applicant's argument that the references fail to show certain features of applicant's invention, it is noted that the features upon which applicant relies modification of class structure ***in the midst of an auction*** are not recited in the rejected claims. Although the claims are interpreted in light of the specification, limitations from the specification are not read into the claims. See *In re Van Geuns*, 988 F.2d 1181, 26 USPQ2d 1057 (Fed. Cir. 1993).

In conclusion, for the reason set forth above, examiner decides to maintain to previous rejections (also see details below) and make this Office action FINAL.

4. Accordingly, **THIS ACTION IS MADE FINAL**. See MPEP § 706.07(a).

Applicant is reminded of the extension of time policy as set forth in 37 CFR 1.136(a).

A shortened statutory period for reply to this final action is set to expire **THREE MONTHS** from the mailing date of this action. In the event a first reply is filed within **TWO MONTHS** of the mailing date of this final action and the advisory action is not mailed until after the end of the **THREE-MONTH** shortened statutory period, then the shortened statutory period will expire on the date the advisory action is mailed, and any extension fee pursuant to 37 CFR 1.136(a) will be calculated from the mailing date of the advisory action. In no event, however, will the statutory period for reply expire later than **SIX MONTHS** from the date of this final action.

Claim Rejections - 35 USC § 103

5. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

6. Claims 1 and 3-30 are rejected under 35 U.S.C. 103(a) as being unpatentable over Levine et al (hereinafter Levine), U.S. Patent No. 6,233,566, in view of Parks, Journal of Accountancy, v171n4, pp: 41-51, and further in view of Holdcroft et al (hereinafter Holdcroft), Secondary Mortgage Markets, v5n4, pp: 16-20.

Regarding to claim 1, Levine discloses a system for offering a financial instrument, comprising:

a central processing unit, a program memory (figures 2A, 2B and column 10, lines 8-45, the centralized exchange system 200 includes trading system server 202 and trading system database server 207), a structure database (figure 2A and column 10, lines 43-45, a securitization database 205); and an investor database (figure 2A and column 10, lines 55-65, organization pool databases 221a, 221b, 222a, 222b);

wherein the CPU, program memory, structure database and investor database are in communication with one another (see figures 2A and 2B),

wherein the structure database stored a structure representative of a plurality of financial instruments (column 13, lines 20-21), and

wherein the system operates to (i) display financial information (column 14, lines 25-31, the investor can review its loans and to search through the loan data using various criteria), (ii) receive bid information (column 14, lines 32-35, the investor can access the system 200 to look for loans for sale and input an offer for certain loans).

Levine does not disclose the financial instrument is a multi-class instrument wherein at least two classes of the plurality of classes are different from each other and separately saleable, wherein the underlying collateral has a form different from either of the at least two classes, and wherein the underlying collateral is used to collateralize the financial instruments. However, Parks discloses the financial instrument is a multi-class instrument wherein at least two classes of the plurality of classes are different from each other and separately saleable, wherein the underlying collateral has a form different

from either of the at least two classes, and wherein the underlying collateral is used to collateralize the financial instruments (see the entire document, Collateralized mortgage Obligations or CMOs; CMOs are multi-class mortgage securities were introduced in the early 1980s, CMOs slices the cash flows from traditional Mortgage-backed securities into various short, medium and long maturity classes or "tranches"). Therefore, it would have been obvious to one with ordinary skill in the art at the time the invention was made to modify Levine's to include the CMOs of Parks in the financial instruments offered for sale to the investors of Levine, for the purpose of offering the CMOs for sale to the investors in order to minimize the reinvestment and interest rate risks associated with standard fixed-rate of mortgage-backed securities.

Moreover, Levine and Parks do not disclose modify the structure database in response to the bid information and display updated financial information. However, Holdcroft discloses modify the structure database in response to the bid information and display updated financial information (see the entire document, the CMO structuring process include: reviewing the most recent deals, modeling the transaction precisely, obtaining pricing information, revising prepayment assumptions, modifying the structure class by class, negotiating, and setting the terms). Therefore, it would have been obvious to one with ordinary skill in the art at the time the invention was made to modify Levine's modified by Parks above to include the feature above, for the purpose of modifying the structure of CMOs in response to the bid information in order to minimize the reinvestment and interest rate risks associated with standard CMOs.

Levine and Parks do not explicitly disclose notify the underwriter of an amount of underlying collateral to purchase in view of the bid information received and wherein the amount of underlying collateral is purchased only after commitment are received to invest in the at least two classes. However, Levine does disclose notify the investor of an amount of underlying collateral to purchase in view of pre-set rules, or some other criteria (column 14, lines 55-65 and column 15, lines 35-45), the investor access the database to view previous trades in order to decide what the particular fair price for purchasing a particular loan or loan pool (column 16, lines 25-28). Moreover, deciding an amount to be purchased products for reselling to customers in view of previous purchase of customers is well known in the art of managing the product inventory. For example, a merchant decides to purchase more particular products from a wholesaler because those products are previously purchased a lot by the customers, or vice versa. Therefore, it would have been obvious to one with ordinary skill in the art at the time the invention was made to modify Levine's modified by Parks above to adopt the well known inventory feature above, for the purpose of notifying the underwriter of an amount of underlying collateral to purchase in view of the bid information in order to maximize the selling of the mortgage securities and minimize the un-sold of particular mortgage securities.

Regarding to claim 3, Levine further discloses the bid information includes price and amount information (column 21, lines 25-33).

Regarding to claim 4, Levine further discloses an input for receiving market information (column 16, lines 23-28).

Regarding to claim 5, Levine does not disclose the structure database is modified further in view of the prevailing market price of collateral. However, Holdcroft discloses the structure database is modified further in view of the prevailing market price of collateral (see the entire document, the CMO structuring process include: reviewing the most recent deals, modeling the transaction precisely, obtaining pricing information, revising prepayment assumptions, modifying the structure class by class, negotiating, and setting the terms). Therefore, it would have been obvious to one with ordinary skill in the art at the time the invention was made to modify Levine's modified by Parks above to include the feature above, for the purpose of modifying the structure of CMOs in response to the bid information in order to minimize the reinvestment and interest rate risks associated with standard CMOs.

Regarding to claim 6, Levine further discloses means for transmitting the financial information over the Internet (column 10, lines 8-20).

Regarding to claim 7, Levine does not disclose wherein collateral for the multi-class instrument includes at least one of treasury notes and agency notes. However, treasury notes and agency notes are well known securities of the CMOs. Therefore, it would have been obvious to one with ordinary skill in the art at the time the invention was made to modify Levine's to include treasury notes and agency notes in the financial instruments offered for sale to the investors of Levine, for the purpose of maximizing the profit for the underwriters.

Claim 8 contains similar limitations found in claim 1 above, therefore is rejected by the same rationale. Moreover, Levine further discloses the electronic trading system

comprises a modem (column 10, lines 15-20, the connection to the Internet is through a router).

Regarding to claim 9, Levine further discloses the electronic trading system responds to any single price and amount bid within a predetermined period of time (column 23, lines 3-6).

Regarding to claim 10, Levine does not disclose the predetermined period of time is about 120 seconds. However, it is a design of choice and well known to set a particular period of time for an auction. Therefore, it would have been obvious to one with ordinary skill in the art at the time the invention was made to modify Levine's to include the feature above for the purpose of designing a predetermined specific time period for an auction.

Regarding to claim 11, Levine further discloses price and amount bids are periodically received and the system updated financial displays with updated offer information (column 23, lines 3-6).

Regarding to claim 12, Levine further discloses the offer information is updated based on market conditions (column 16, lines 23-28).

Regarding to claim 13, Levine further discloses means for operating the system over the Internet (column 10, lines 8-20).

Claims 14-15 contain similar limitations found in claims 1 and 7 above, therefore, are rejected by the same rationale.

Regarding to claim 16, Levine further discloses matching the bid received in response to the initial offer price and offer amount on the at least one second computer with stored prices and amounts (see abstract).

Claims 17, 19, 20 contain similar limitations found in claims 1, 7, 5 above, therefore, are rejected by the same rationale.

Regarding to claim 18, Parks discloses a multi-class instrument is at least one of a collateralized mortgage obligation, collateralized bond obligation, collateralized loan obligations, etc.. (see the entire document, Collateralized mortgage Obligations or CMOs; CMOs are multi-class mortgage securities were introduced in the early 1980s, CMOs slices the cash flows from traditional Mortgage-backed securities into various short, medium and long maturity classes or "tranches"). Therefore, it would have been obvious to one with ordinary skill in the art at the time the invention was made to modify Levine's to include the CMOs of Parks in the financial instruments offered for sale to the investors of Levine, for the purpose of offering the CMOs for sale to the investors in order to minimize the reinvestment and interest rate risks associated with standard fixed-rate of mortgage-backed securities.

Claims 21-24 contain similar limitations found in claims 1, 9, 10, 12 above, therefore, are rejected by the same rationale.

Claims 25-29 contain similar limitations found in claim 1, 7, 9, 10 above, therefore, are rejected by the same rationale.

Claim 30 contains similar limitations found in claim 1 above, therefore, is rejected by the same rationale.

Conclusion

7. Claims **1** and **3-30** are rejected.
8. Any inquiry concerning this communication or earlier communications from the examiner should be directed to examiner Nga B. Nguyen whose telephone number is (571) 272-6796. The examiner can normally be reached on Monday-Thursday from 59:00AM-6:00PM.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Hyung S. Sough can be reached on (571) 272-6799.

Any inquiry of a general nature or relating to the status of this application or proceeding should be directed to the Group receptionist whose telephone number is (571) 272-3600.

9. Any response to this action should be mailed to:

Commissioner of Patents and Trademarks
C/o Technology Center 3600
Washington, DC 20231

Or faxed to:

(571) 273-8300 (for formal communication intended for entry),

or

(571) 273-0325 (for informal or draft communication, please label "PROPOSED" or "DRAFT").

Hand-delivered responses should be brought to Knox building, 501 Dulany Street, Alexandria, VA, First Floor (Receptionist).

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Nga Nguyen
NGA NGUYEN
PRIMARY EXAMINER

September 15, 2006